

Message Text

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PAGE 01 BUENOS 05163 152030Z

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ACTION ARA-20

INFO OCT-01 EUR-25 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

DODE-00 PM-07 H-03 INR-11 L-03 NSAE-00 PA-04 PRS-01

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AMEMBASSY BRUSSELS

LIMITED OFFICIAL USE BUENOS AIRES 5163

E.O. 11652: N/A

TAGS: ECON, ETRD, CU, AR, BE

SUBJ: ARGENTINE TRADE WITH CUBA: GREGG/LICENSE EXPORT CASE

REF: A. BA 4182; B. STATE 136596

1. ON JULY 12, I WAS VISITED BY CESAR CAO SARAVIA 1 PRESIDENT OF EMEPAN WHO IN AN EMOTIONAL WAY TOLD ME THAT HE SIMPLY COULD NOT SEE HOW OR WHY US LAW COULD PREVENT A BELGIAN COMPANY FROM SELLING ITS PRODUCTS TO ARGENTINA, REGARDLESS OF ANY POSSIBLE FURTHER USE OF SUCH PRODUCTS BY THE ARGENTINE COMPANY. HE EMPHASIZED THAT HE WOULD FIGHT THIS AS A MATTER OF PRINCIPLE. HE IMPRESSES ME AS A PERSON WHO CAN MAKE CONSIDERABLE TROUBLE FOR THE US IN ARGENTINA. I EXPLAINED TO HIM THE US POLICY ON TRADE WITH CUBA AND THE FACT THAT WE ARE OBLIGATED TO MAINTAIN THIS POSITION UNDER THE DECISION OF THE OAS MEETING OF FOREIGN MINISTERS. IN REPLY TO HIS REMARKS ABOUT THE RECENT VISIT TO CUBA BY PAT HOLT AND NEWSPAPER STORIES CONTAINING INDICATIONS THAT CASTRO WOULD LIKE TO MEET WITH SECRETARY KISSINGER, I EMPHASIZED THAT THERE HAS BEEN NO CHANGE IN US POLICY TOWARDS CUBA NOR IS ANY CHANGE EXPECTED.

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PAGE 02 BUENOS 05163 152030Z

2. ALTHOUGH THERE ARE DIFFERENCES BETWEEN THIS CASE AND THAT OF THE US AUTO FIRMS SUBSIDIARIES IN ARGENTINA, I BELIEVE THERE IS A SIMILARITY OF PRINCIPLE WHICH MERITS SIMILARITY OF TREATMENT. IN FACT, THE US MATERIAL AND FINANCIAL INTEREST IN THE GOODS WHICH WILL EVENTUALLY BE SOLD TO CUBA WOULD BE MORE REMOTE IN THIS CASE THAN IN THE AUTOMOBILE CASE, SINCE THE AMERICAN-OWNED COMPANY WOULD NOT BE SUPPLYING CUBA DIRECTLY NO WOULD IT BE SIGNING ANY SALES CONTRACT WITH CUBAN OFFICIALS AS THE AUTO SUBSIDIARIES HAVE DONE.

3. IN ADDITION, THE US-OWNED COMPANY FACES A STRONG POSSIBILITY OF SERIOUS FINANCIAL DAMAGE. REPRESENTATIVES OF GREGG TELL US THEY ARE SURE THAT IF THEY BREAK THE CONTRACT THEY WILL BE SUED IN ARGENTINA AND DO NOT SEE THAT THEY WOULD BE ABLE TO MAKE A SUCCESSFUL DEFENSE AGAINST ENFORCEMENT OF THE JUDGEMENT IN THE COURTS OF BELGIUM, WHERE THE COMPANYS ASSETS ARE LOCATED. THEY FEEL A JUDGEMENT OF THE SIZE THEY ANTICIPATE WOULD BANKRUPT THE COMPANY.

4. I BELIEVE THAT GREGGS FEARS ARE WELL FOUNDED. IF USG ACTION PREVENTS GREGG OF BELGIUM FROM SELLING BODIES TO ARGENTINA, I BELIEVE THAT CAO SARAVIA WILL BEGIN INTENSE PUBLICITY CAMPAIGN ALONG NATIONALIST LINES, WHICH THE GOA WOULD HAVE DIFFICULTY IGNORING EVEN IF IT WERE INCLINED TO DO SO. CAO SARAVIA WILL BRING SUIT AND COULD WIN HIS CASE. ONLY QUESTION IS EXTENT TO WHICH ARGENTINE JUDGMENT WOULD BE ENFORCED BY BELGIAN COURTS. MY PRINCIPAL CONCERN IS THAT THIS CASE WILL FURNISH THE GOA, AND SPECIFICALLY THE MIN OF ECONOMY, WITH AN EXTREMELY USEFUL DEVICE TO DISTRACT ATTENTION FROM DETERIORATING WAGE/PRICE POLICY AND ITS DAMAGING EFFECTS ON THE ECONOMY. THESE EFFECTS ARE SERIOUS ENOUGH SO THAT THERE HAS BEEN CONSIDERABLE SPECULATION THAT MIN GELBARD MIGHT SOON BE REPLACED. AN ANTI-US CAMPAIGN ON THIS ISSUE WOULD MAKE IT QUITE DIFFICULT FOR THE GOA TO REPLACE HIM IF THEY WERE PLANNING TO DO SO.

5. I RECOMMEND THT THE DEPARTMENT RECONSIDER THE DECISION COMMUNICATED TO US IN REF (B). IF THE DEPARTMENT FINDS THAT DESPITE THE ABOVE IT CANNOT ALTER ITS PREVIOUS DECISION, I WOULD APPRECIATE BEING FURNISHED GUIDANCE ON DEALING WITH THE INEVITABLE ADVERSE PUBLICITY, PARTICULARLY A RATIONALE FOR LIMITED OFFICIAL USE

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PAGE 03 BUENOS 05163 152030Z

DISTINGUISHING
IN THE MINS OF ARGENTINE THIS CASE FROM THE AUTO CASE. DECON
7/15/75.
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